

Act to Promote Economic Stability and Growth¹

Date of signature: 8 June 1967

Full citation:

Act to Promote Economic Stability and Growth of 8 June 1967 (Federal Law Gazette I, p. 582), as most recently amended by Article 135 of the Ordinance of 31 October 2006 (Federal Law Gazette I, p. 2407)

Enacting clause

The Bundestag has adopted the following Act with the consent of the Bundesrat:

Section 1

In their economic and fiscal policy measures, the Federation and the *Länder* shall observe the requirements of overall economic equilibrium. These measures shall be taken in such a way that, within the framework of the market economy, they simultaneously contribute to price stability, to a high level of employment and external equilibrium, accompanied by steady and adequate economic growth.

Section 2

(1) The Federal Government shall present an annual economic report to the Bundestag and the Bundesrat in January each year. The annual economic report shall contain:

1. comments on the Annual Report of the Council of Experts on the basis of section 6 subsection (1), third sentence, of the Act on the Appointment of a Council of Experts on

¹ This working translation of the *Gesetz zur Förderung der Stabilität und des Wachstums der Wirtschaft* is provided by the Language Service of the Federal Ministry of Finance. Only the German text of this Act is authentic.

Economic Development² of 14 August 1963 (Federal Law Gazette I, p. 685), as amended by the Act of 8 November 1966 (Federal Law Gazette I, p. 633);

2. a statement on the Federal Government's economic and fiscal policy aims (annual projection) for the current year; the annual projection shall employ the same methods and form as the national accounts, using alternative accounts where necessary;
3. a statement on the economic and fiscal policy measures planned for the current year.

(2) Measures under section 6 subsection (2) and (3) and under sections 15 and 19 of this Act as well as under section 51 subsection (3) of the Income Tax Act³ and under *section 19c* of the Corporation Tax Act⁴ may be taken only if the Federal Government simultaneously provides substantiation to the Bundestag and Bundesrat that such measures are required to prevent the aims stated in section 1 from being jeopardised.

Footnote

Italics in section 2 subsection (2): now section 23 subsection (5) of the Corporation Tax Act

Section 3

(1) In the event that one of the aims stated in section 1 is in jeopardy, the Federal Government shall provide guidance data for simultaneous, concerted practices (concerted action) by the political subdivisions, trade unions and enterprise associations to achieve the aims stated in section 1. These guidance data shall contain, in particular, a presentation of the overall economic conditions in light of the given situation.

(2) Where one of the parties concerned so demands, the Federal Ministry of Economics and Technology shall explain the guidance data.

Section 4

In the case of external disturbances to the overall economic equilibrium which cannot be averted by domestic measures or can only be done impairing the aims stated in section 1, the

² *Gesetz über die Bildung eines Sachverständigenrates zur Begutachtung der gesamtwirtschaftlichen Entwicklung*

³ *Einkommensteuergesetz*

⁴ *Körperschaftsteuergesetz*

Federal Government shall avail itself of all possible means of international coordination. Insofar as this does not suffice, it shall use the economic policy instruments available to it for the purpose maintaining external equilibrium.

Section 5

(1) In the federal budget, the extent and composition of expenditures and of authorisations to enter into commitments affecting future fiscal years shall be calculated in such a way as is required to achieve the aims stated in section 1.

(2) In the case of an extension in demand exceeding the economic capacity, resources should be budgeted for the additional repayment of debts to the Deutsche Bundesbank or for allocation to a reserve for counterbalancing cyclical fluctuations.

(3) In the case of a decline in general economic activity jeopardising one of the aims stated in section 1, additionally required covering resources should, as a first step, be withdrawn from the reserve for counterbalancing cyclical fluctuations.

Section 6

(1) In executing the federal budget, the Federal Government may, in the event of an extension in demand exceeding the economic capacity, authorise the Federal Ministry of Finance, for the purpose of achieving the aims stated in section 1, to make the use of certain funds, the commencement of construction measures and the entering into of commitments affecting future financial years dependent on its prior consent. The Federal Ministry of Finance and the Federal Ministry of Economics and Technology shall propose the required measures. The Federal Ministry of Finance shall use the resources, which have thereby become available after the end of the financial year, for additional repayment of debts to the Deutsche Bundesbank, or allocate them to the reserve for counterbalancing cyclical fluctuations.

(2) The Federal Government may determine that, in the case of a decline in general economic activity jeopardising one of the aims stated in section 1, additional expenditures shall be effected; subsection (1), second sentence, above shall be applied. The additional resources may be used only for purposes provided in the financial plan (section 9 in combination with section 10) or as financial assistance for particularly important investments by the *Länder* or

by municipalities (associations of municipalities) to avert a disturbance of the overall economic equilibrium (first sentence of paragraph (4) of Article 104a of the Basic Law⁵). To cover the expenditures, the necessary funds should, as a first step, be withdrawn from the reserve for counterbalancing cyclical fluctuations.

(3) The Federal Ministry of Finance shall be authorised to borrow up to 5 billion Deutsche marks in excess of the authorisations provided for in the Budget Act⁶, with the aid of money market paper where necessary, for the purpose designated in subsection (2) above. Insofar as such borrowing is debited against a borrowing authorisation subsequently granted by a Budget Act, fresh recourse may be taken to the right to borrow.

Section 7

(1) The reserve for counterbalancing cyclical fluctuations shall be accumulated at the Deutsche Bundesbank. Resources from the reserve for counterbalancing cyclical fluctuations may be used only to cover additional expenditures pursuant to section 5 subsection (3) and section 6 subsection (2).

(2) The Federal Government shall decide whether and to what extent resources from the reserve for counterbalancing cyclical fluctuations should be disposed upon in executing the federal budget; section 6 subsection (1), second sentence, shall be applied.

Section 8

(1) A title without appropriation shall, for expenditures under section 6 subsection (2), first and second sentence, be taken up in the budget. Expenditures from this title may be effected only with the consent of the Bundestag and only if revenues are available from the reserve for counterbalancing cyclical fluctuations or from borrowing under section 6 subsection (3). The bill shall be submitted simultaneously to the Bundestag and the Bundesrat. The Bundesrat may present its comments to the Bundestag within two weeks. The Bundestag shall be deemed to have granted its consent if it has not refused to do so within four weeks after receipt of the Federal Government's bill.

⁵ *Grundgesetz*

NB: the first sentence of paragraph (4) of Article 104a of the Basic Law is now number 1 of paragraph (1) of Article 104b of the Basic Law.

⁶ *Haushaltsgesetz*

(2) In addition, a title without appropriation, for revenues from the reserve for counterbalancing cyclical fluctuations and from borrowing under section 6 subsection (3) shall be taken up in the federal budget.

Section 9

(1) The budget management of the Federation shall be based on financial planning covering a five-year period. The financial planning shall present the extent and composition of expected expenditures and the possible means of covering such expenditures in their correlation to the presumed development of overall economic potential, through alternative accounts where necessary.

(2) The financial plan shall be prepared and substantiated by the Federal Ministry of Finance. It shall be adopted by the Federal Government and submitted to Bundestag and Bundesrat.

(3) The financial plan shall each year be adjusted to developments and carried forward.

Section 10

(1) For their respective areas of jurisdiction, the federal ministries shall prepare multi-annual investment programmes as documents for the financial planning, and send them together with the other requirement estimates to the Federal Ministry of Finance on the date to be determined by the Federal Ministry of Finance. The Federal Government shall determine the areas of jurisdiction for which investment programmes are to be prepared.

(2) Composed according to urgency and in one-year sections, the investment programmes shall record the investment projects to be implemented in succeeding years. Each one-year section should indicate the investment projects to be carried forward or initiated, specifying the partial amounts falling in the relevant year. Financing assistance from the Federation for third-party investments shall, applying the same principles of composition, be recorded in a separate part identifying the type of financing.

(3) The investment programmes shall each year be adjusted to developments and carried forward.

Section 11

In the case of a decline in general economic activity jeopardising one of the aims stated in section 1, the planning of suitable investment projects shall be accelerated in such a way that their implementation may be commenced at short notice. The responsible federal ministries shall take all further measures required to accelerate the awarding of investment orders.

Section 12

(1) Federal funds, and financial assistance especially, given for specific purposes to agencies not belonging to the federal administration should be granted in such a way that it does not conflict with the aims stated in section 1.

(2) Together with the draft of the federal budget, the Federal Government shall every two years submit to the Bundestag and Bundesrat a statistical summary on the financial assistance designated in subsection (1) above that is in particular composed according to financial assistance which serves:

1. the support of enterprises or sectors of the economy,
2. the adjustment of enterprises or sectors of the economy to new conditions, and
3. the promotion of advances in productivity and the promotion of the growth of enterprises or sectors of the economy, in particular through the development of new methods or types of production.

(3) Composed according to subsection (2) above, a summary of the tax concessions together with the estimated reductions in revenues shall be enclosed.

(4) With respect to the summaries designated in subsections (2) and (3) above, the Federal Government shall indicate the legal grounds or other obligations on which the respective financial assistance and tax concessions are based, and when, under the law in force, the termination of financial assistance and tax concessions is anticipated. It shall at the same time make proposals concerning the legal or other conditions for an earlier termination or phased elimination of obligations. To this end, a time schedule shall be prepared corresponding to the composition stated in subsection (2) above.

Section 13

(1) The regulations stated in sections 1, 5, 6 subsections (1) and (2) shall apply accordingly to the ERP Special Fund.

(2) With the agreement of the Federal Ministry of Finance, the Federal Ministry of Transport, Building and Urban Development shall issue the orders required under section 1 for the Deutsche Bundesbahn.

(3) Public-law bodies, institutions and foundations established and controlled directly under federal law should, within the framework of their tasks, take the aims stated in section 1 into consideration.

Section 14

Sections 5, 6 subsections (1) and (2), sections 7, 9 to 11, as well as section 12 subsection (1), shall apply *mutatis mutandis* to the budget management of the *Länder*. The arrangement of responsibilities shall be a matter for the *Länder*.

Section 15

(1) To avert a disturbance of the overall economic equilibrium, the Federal Government may, by means of a statutory instrument and with the consent of the Bundesrat, order that the Federation and the *Länder* have to allocate resources to their reserves for counterbalancing cyclical fluctuations.

(2) The statutory instrument shall determine the total amount to be raised by the Federation and *Länder*. Without prejudice to the amounts to be allocated, under subsection (4) below, to the reserves for counterbalancing cyclical fluctuations, it should not in any one fiscal year exceed three per cent of the tax revenue generated by the Federation and *Länder* in the preceding fiscal year.

(3) Insofar as the Federation and *Länder* do not agree any other raising of resources, they shall raise the total amount in proportion to their tax revenue in the preceding fiscal year, taking into consideration the equalisation grants and equalisation contributions under the *Länder* financial equalisation scheme. When calculating the tax revenue of the *Länder*, the local authority taxes of the *Länder* of Berlin, Bremen and Hamburg and the subsidies to be

effected under section 6 subsection (2) of the Equalisation of Burdens Act⁷ shall not be taken into consideration. In cases where the Federation or individual *Länder* have already allocated resources to their reserves for counterbalancing cyclical fluctuations in the same fiscal year, these shall be debited against their obligations.

(4) If income tax is increased on the basis of the authorisation in section 51 subsection (3) number 2 of the Income Tax Act and corporation tax on the basis of *section 19c* of the Corporation Tax Act, the Federation and the *Länder* shall additionally and continuously allocate amounts from their revenue from income tax and corporation tax to their reserves for counterbalancing cyclical fluctuations over the period during which the tax increase applies, in each case allocating the amounts according to the proportion between the percentage by which the income tax and the corporation tax have been increased and the sum formed by 100 and this percentage.

(5) The amounts allocated to the reserves for counterbalancing cyclical fluctuations on the basis of a statutory instrument under subsection (1) above or pursuant to subsection (4) above may be withdrawn only if they have been released by a statutory instrument of the Federal Government to which the Bundesrat has given its consent. The release shall be permissible only to avoid a decline of general economic activity jeopardising one of the aims stated in section 1. The first and second sentences above shall be applied to the resources designated in subsection (3), third sentence, above.

Footnote

Italics in section 15 subsection (4): now see section 23 of the 1977 Corporation Tax Act, legislation directory A 611-4-4

Section 16

(1) In their budget management, municipalities and associations of municipalities shall take account of the aims stated in section 1.

⁷ *Lastenausgleichsgesetz*

(2) Through suitable measures, the *Länder* shall take steps to ensure that the budget management of the municipalities and associations of municipalities meets the requirements of policy on the economic cycle.

Section 17

The Federation and the *Länder* shall supply each other with the information which is necessary to implement budget management in line with cyclical conditions and to prepare their financial plans.

Section 18

(1) A Council on the Economic Cycle for the public sector shall be formed attached to the Federal Government. The Council shall consist of:

1. the Federal Minister of Economics and Technology and the Federal Minister of Finance;
2. one representative of each *Land*,
3. four representatives of the municipalities and the associations of municipalities determined by the Bundesrat at the suggestion of the central local authority associations.

The chair of the Council on the Economic Cycle shall be the Federal Minister of Economics and Technology.

(2) The Council on the Economic Cycle shall consult according to rules of procedure to be issued by the Federal Minister of Economics and Technology and at regular intervals on:

1. all policy measures on the economic cycle required to achieve the aims of this Act;
2. the possible means of covering the borrowing requirement of the public budgets.

In particular, the Council on the Economic Cycle shall be heard before any measures are taken under sections 15, 19 and 20.

(3) The Council on the Economic Cycle shall form a special committee for public-sector borrowing issues, which, chaired by the Federal Minister of Finance, shall consult according to rules of procedure to be issued by the Federal Minister of Finance.

(4) The Bundesbank shall have the right to participate in the consultations of the Council on the Economic Cycle.

Section 19

In order to avert a disturbance of the overall economic equilibrium, the Federal Government may, by means of a statutory instrument and with the consent of the Bundesrat, order that the Federation, the *Länder*, the municipalities and associations of municipalities as well as special funds and special purpose associations limit the procurement of monetary resources by means of borrowing within the framework of the borrowing authorisations shown in the budget acts and budget byelaws. The first sentence above shall not apply to borrowing by municipalities, associations of municipalities or special purpose associations to finance investment projects by those of their commercial enterprises without legal personality in their own right.

Section 20

(1) Statutory instruments under section 19 may provide that

1. for a period that is to be determined, borrowing by the agencies designated in section 19 is limited to a maximum amount;
2. within the framework of the maximum amounts set under number 1 above, borrowing of a particular nature or amount, especially bonds or loans against borrowers' notes, may be raised only in accordance with a time schedule and only in compliance with terms of credit (section 22 subsection (1) and (2)).

(2) The maximum amount under subsection (1) number 1 above must, in respect of each agency and fiscal year, be at least 80 per cent of the total borrowed by it on average over the last five statistically recorded fiscal years before the issuing of the statutory instrument; liquidity loans and loans for working funds, loans granted by the Bundesbank or one of the agencies designated in section 19 as well as loans for the purposes designated in section 19, second sentence, shall not be taken into consideration in this regard. In order to counterbalance fluctuations in the borrowing requirement of municipalities, associations of municipalities and special purpose associations, the maximum amount for them may be reduced to 70 per cent. The amounts thus released shall be allotted by the *Länder* to those municipalities, associations of municipalities and special purpose associations that have to fulfil particularly urgent investment tasks.

(3) Statutory instruments under section 19 shall determine the extent to which third-party borrowing which in economic terms is equivalent to borrowing by any of the agencies designated in section 19 shall be debited against the maximum amount under subsection (1) number 1 above. Third-party borrowing shall be taken into consideration especially insofar as such third parties perform financing tasks for one of the agencies designated in section 19 or insofar as such agency facilitates borrowing through interest subsidies or allocations of equivalent effect.

(4) Statutory instruments under section 19 shall be limited to a period of not more than one year.

(5) After their promulgation, the Bundestag shall be notified without delay of statutory instruments under section 19. They shall be cancelled without delay if the Bundestag, within six weeks of their promulgation, so demands.

Section 21

If one of the agencies designated in section 19 does not borrow its proportion within the framework of the maximum amount under section 20 subsection (1) number 1, one of the other agencies designated in section 19 may, with its consent, take recourse to the borrowing to that extent. Notwithstanding this, the *Länder* may determine that, of the maximum amounts of the municipalities, associations of municipalities and special purpose associations, those partial amounts which exceed the borrowing authorisation in the budget byelaw shall be allotted to other municipalities, associations of municipalities or special purpose associations with an additional borrowing requirement.

Section 22

(1) Taking the situation on the capital market into consideration, the special committee of the Council on the Economic Cycle (section 18 subsection (3)) shall prepare a time schedule for a period of not more than three months in each case. The order of the borrowing and the amount shall, for the borrowing determined in the statutory instrument under section 20 subsection (1) number 2, be set out in the schedule; the terms of credit may be set out.

(2) The Federal Ministry of Finance may declare as binding the time schedule prepared under subsection (1) above or, if the special committee of the Council on the Economic Cycle has failed to reach agreement, determine a time schedule with the consent of the Bundesrat.

(3) In the case of an imminent deterioration of the capital market situation, the Federal Ministry of Finance may, in consultation with the Deutsche Bundesbank, provisionally suspend the execution of the time schedule. In such case, it shall, within two weeks, enter into new consultations with the special committee of the Council on the Economic Cycle.

(4) The agencies designated in section 19 shall be obliged, also with respect to such borrowing as is not subject of the statutory instruments under section 20 subsection (1) number 2, to take the capital market situation into account in the time sequence of the borrowing and in the configuration of the terms of credit.

Section 23

The individual *Länder* shall, through suitable measures, ensure that the procurement of financial resources by means of borrowing by the *Land*, its municipalities, associations of municipalities and special purpose associations remains within the framework of the limits ordered on the basis of this Act.

Section 24

(1) In the case of measures under sections 20 to 23, the principle of equal seniority of tasks of the Federation, *Länder* and municipalities shall be observed.

(2) Consideration shall be given to the special circumstances of the *Länder* of Berlin, Bremen and Hamburg which simultaneously have to fulfil *Land* and municipal tasks.

Section 25

The responsible supreme *Land* authority shall, on request, supply the Federal Ministry of Finance with information about the borrowing requirement of the *Land*, the municipalities, associations of municipalities and special purpose associations, about the nature and amount of the borrowing raised by them as well as about third-party borrowing which in economic terms is equivalent to borrowing raised by themselves. The public special funds shall supply directly the information under the first sentence above.

Sections 26 to 31

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Section 32

Under section 12 subsection (1) and section 13 subsection (1) of the Third Transition Act⁸ of 4 January 1952 (Federal Law Gazette I, p. 1), this Act shall also apply in the *Land* of Berlin. Statutory instruments issued on the basis of this Act shall apply in the *Land* of Berlin under section 14 of the Third Transition Act.

Section 33

(1) Subject to subsection (2) below, this Act shall enter into force on the day after its promulgation.

(2) The regulations stated in section 26 number 3 letter (a) and in section 27 number 2 concerning section 23a subsection (1) number 2 letter (k) of the Corporation Tax Act shall enter into force on 1 January 1969.

⁸ *Drittes Überleitungsgesetz*